

## APPENDIX F

### LOWDOC DISCLOSURE STATEMENT & STATEMENTS REQUIRED BY LAW AND EXECUTIVE ORDER

#### Disclosure of provisions and certification by Borrower for SBA Guaranty LowDoc Loan

In additions to the terms and conditions outlined in the Authorization and Loan Agreement, SBA Form 529B, which the Borrower will sign at loan closing, the Applicant agrees to comply with the following terms and conditions:

1. If the Borrower defaults on the indebtedness and the Small Business Administration (SBA) purchases its guaranteed portion of said indebtedness, the rate of interest on the guaranteed and the unguaranteed portion therein will become fixed at the rate in effect as of the initial date of default. If the Borrower is not be in default in payment of interest and/or principal, the interest rate on the guaranteed and the unguaranteed portion therein will be fixed in effect as of the date of purchase by SBA.
2. Execution of all documents required to meet the terms and conditions of the Authorization and Loan Agreement and to protect Lender's and SBA's interest in the required collateral and in repayment of the loan.
3. Borrower may be charged a guaranty fee of 2% of the approved loan amount by Lender if Lender has paid such fees to the SBA and an initial disbursement has been made on the loan.
4. Borrower will, on demand, reimburse Lender for any and all expenses incurred, or which may be hereafter incurred, by Lender from time to time in connection with or by reason of Borrower's application for, and the making and administration of the Loan.
5. Borrower will at all times keep proper books of account in a manner satisfactory to Lender and/or SBA. Borrower hereby authorizes Lender or SBA to make or cause to be made, at Borrower's expense, (1) inspections and audits of any books, records and papers relating to Borrower's financial or business conditions and (2) inspections and appraisals of any of Borrower's assets. Borrower will furnish annual financial and operating statements to Lender for Borrower's fiscal year within 60 days of the expiration of any such period and at such other times and in such form as Lender may prescribe. Borrower hereby authorizes all Federal, State and municipal authorities to furnish reports of examinations, records, and other information relating to the conditions and affairs of Borrower and any desired information from reports, returns, files, and records of such authorities upon request therefor by Lender or SBA.
6. If Borrower is a corporation, it will not, without the prior written consent of Lender or SBA, declare or pay any dividend or make any distribution upon its capital stock, or purchase or retire any of its capital stock, or consolidate, or merge with any other company, or give any preferential treatment, make any advance, directly or indirectly, by way of loan, gift, bonus, or otherwise, to any company directly or indirectly controlling or affiliated with or controlled by Borrower, or any other company, or to any officer, director or employee of Borrower, or of any such company. If Borrower is a partnership or individual, it will not, without prior written consent of Lender or SBA, make any distribution of its assets, other than reasonable compensation for services, or give any preferential treatment, make any advance, directly or indirectly, by way of loan, gift, bonus, or otherwise, to any partner or any of its employees, or to any company directly or indirectly controlling or affiliated with or controlled by Borrower, or any other company.
7. Borrower will provide hazard insurance sufficient to protect Lender's interest in the collateral with Lender shown as Mortgagee on realty coverage and/or as Loss Payee on personalty coverage.
8. Prior to first disbursement, Lender must attain a completed "Standard Flood Hazard Determination," FEMA Form 81-93.
9. Borrower will, if determined by Lender that collateral property is located in a special hazard area, obtain and maintain Federal Flood Insurance or other appropriate special hazard insurance in amounts and coverage equal to the lesser of (1) the insurable value of the property or (2) the maximum limits of coverage available. Evidence that required flood or

special hazard insurance has been acquired may be in the form of proof of payment to any licensed insurance agent or a copy of the policy which has been issued. Borrower will not be eligible for either any future disaster assistance or SBA business loan

assistance if this flood or special hazard insurance is not maintained as stipulated herein throughout the entire term of this loan.

10. Borrower agrees, to the extent feasible, to purchase only American-made equipment and products with the proceeds of this loan.

11. Borrower will not execute any contracts for management consulting services without prior approval of Lender and SBA. Borrower agrees, as consideration for any Management, Technical, and Business Development Assistance provided by the SBA or its consultants, to waive all claims against the SBA and its consultants.

12. Borrower agrees that it will not, for at least two years, hire an employee or consultant anyone who was employed by the SBA during the one year period prior to the disbursement of the loan.

13. Prior to any disbursement on account of this loan, the Borrower will submit evidence satisfactory to the lender that the business has all valid licenses and permits and, if incorporated, is in good standing with the State or Commonwealth in which it is incorporated.

14. Borrower will execute an affidavit certifying that all taxes, Federal and State, are current and future taxes will be paid when due.

15. Prior to first disbursement, Borrower will execute SBA Form 1624 (Certification Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion).

16. The Authorization and Loan Agreement is also subject to representations made by Borrower in its loan application, the requirements or conditions set forth in Lender's application form, including the supporting documents thereto, the conditions set forth herein and any future conditions imposed by Lender (with prior SBA approval).

## STATEMENTS REQUIRED BY LAW AND EXECUTIVE ORDERS

Federal executive agencies, including the Small Business Administration (SBA), are required to withhold or limit financial assistance, to impose special conditions on approved loans, to provide special notices to applicants or borrowers and to require special reports and data from borrowers in order to comply with legislation passed by the Congress and Executive Orders issued by the President and by the provisions of various inter-agency agreements. SBA has issued regulations and procedures that implement these laws and executive orders, and they are contained in Parts 112, 113, 116, and 117, Title 13, Code of Federal Regulations Chapter 1, or Standard Operating Procedures.

### **Freedom of Information Act (5 U.S.C. 552)**

This law provides, with some exceptions, that SBA must supply information reflected in agency files and records to a person requesting it. Information about approved loans that will be automatically released includes, among other things, statistics on our loan programs (individual borrowers are not identified in the statistics) and other information such as the names of the borrowers (and their officers, directors, stockholders or partners), the collateral pledged to secure the loan, the amount of the loan, its purpose in general terms and the maturity. Proprietary data on a borrower would not routinely be made available to third parties. All requests under this Act are to be addressed to the nearest SBA office and be identified as a Freedom of Information request.

### **Right to Financial Privacy Act of 1978 (12 U.S.C. 3401)**

This is notice to you as required by the Right to Financial Privacy Act of 1978, of SBA's access rights to your financial records held by financial institutions that are or have been doing business with you or your business, including any financial institutions participating in a loan or loan guarantee. The law provides that SBA will have a right of access to your financial records in connection with its consideration of administration of assistance to you in the form of a Government loan or loan guarantee agreement. SBA is required to provide a certificate of its compliance with the Act to a financial institution in connection with its first request for access to your financial records, after which no further certification is required for subsequent accesses. The law also provides that SBA's access rights continue for the term of any approved loan or loan guarantee agreement. No further notice to you of SBA's access rights is required during the term of any such agreement.

The law also authorizes SBA to transfer to another Government authority any financial records included in an application for a loan, or concerning an approved loan or loan guarantee, as necessary to process, service or foreclose on a loan or loan guarantee or to collect on a defaulted loan or loan guarantee. No other transfer of your financial records to another Government authority will be permitted by SBA except as required or permitted by law.

### **Flood Disaster Protection Act (42 U.S.C. 4011)**

Regulations have been issued by the Federal Insurance Administration (FIA) and by SBA implementing this Act and its amendments. These regulations prohibit SBA from making certain loans to an FIA designated floodplain unless Federal flood insurance is purchased as a condition of the loan. Failure to maintain the required level of flood insurance makes the applicant ineligible for any future financial assistance from SBA under any program, including disaster assistance.

**Executive Orders--Floodplain Management and Wetland Protection (42 F.R. 26951 and 42 F.R. 26961)** The SBA discourages any settlement in or development of a floodplain or a wetland. This statement is to notify all SBA loan applicants that such actions are hazardous to both life and property and should be avoided. The additional cost of flood preventive construction must be considered in addition to the possible loss of all assets and investments in future floods.

### **Occupational Safety and Health Act (15 U.S.C. 651 et seq.)**

This legislation authorizes the Occupational Safety and Health Administration in the Department of Labor to require businesses to modify facilities and procedures to protect employees or pay penalty fees. In some instances the business can be forced to cease operations or be prevented from starting operations in a new facility. Therefore, in some instances SBA may require additional information from an applicant to determine whether the business will be in compliance with OSHA regulations and allowed to operate its facility after the loan is approved and disbursed.

Signing this form as borrower is a certification that the OSA requirements that apply to the borrower's business have been determined and the borrower to the best of its knowledge is in compliance.

**Civil Rights Legislation** All businesses receiving SBA financial assistance must agree not to discriminate in any business practice, including employment practices and services to the public, on the basis of categories cited in 13 C.F.R., Parts 112, 113 and 117 of SBA Regulations. This includes making their goods and services available to disabled clients or customers. All business borrowers will be required to display the "Equal Employment Opportunity Poster" prescribed by SBA.

**Equal Credit Opportunity (15 U.S.C. 1691)**

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status or age (provided that the applicant has the capacity to enter into a binding contract), because all or part of the applicants income derives from any public assistance program, or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is the Federal Trade Commission, Equal Credit Opportunity, Washington, D.C. 20580.

**Executive Order 11738 Environmental Protection (38 F.R. 25161)**

The Executive Order charges SBA with administering its loan programs in a manner that will result in effective enforcement of the Clean Air Act, the Federal Water Pollution Act and other environmental protection legislation. SBA must, therefore, impose conditions on some loans. By acknowledging receipt of this form and presenting the application, the principals of all small businesses borrowing \$100,000 or more in direct funds stipulate to the following:

1. That any facility used, or to be used, by the subject firm is not cited on the EPA List of Violating Facilities.
2. That subject firm will comply with all the requirements of Section 114 of the Clean Air Act (42 U.S.C. 7414) and Section 308 of the Water Act (33 U.S.C. 1318) relating to inspection, monitoring, entry, reports and information, as well as all other requirements specified in Section 114 and Section 308 of the respective Acts, and all regulations and guidelines issued thereunder.
3. That subject firm will notify SBA of the receipt of any communication from the Director of the Environmental Protection Agency indicating that a facility utilized, or to be utilized, by subject firm is under consideration to be listed on the EPA List of Violating Facilities.

**Debt Collection Act of 1982. Deficit Reduction Act of 1984 (31 U.S.C. 3701 et seq. and other titles)** These laws require SBA to aggressively collect any loan payments which become delinquent. SBA must obtain your taxpayer identification number when you apply for a loan. If you receive a loan, and do not make payments as they come, SBA may take one or more of the following actions:

- Report the status of your loan(s) to credit bureaus
- Hire a collection agency to collect your loan
- Offset your income tax refund or other amounts due to you from the Federal Government
- Suspend or debar you or your company from doing business with the Federal Government
- Refer your loan to the Department of Justice or other attorneys for litigation
- Foreclose on collateral or take other action permitted in the loan instruments.

**Immigration Reform and Control Act of 1986 (Pub. L. 99-603)**

If you are an alien who was in this country illegally before January 1, 1982, you may have been granted lawful temporary resident status by the United States Immigration and Naturalization Service pursuant to the Immigration Reform and Control Act of 1986 (Pub. L. 99-603). For five years from the date you are granted such status, you are not eligible for financial from the SBA in the form of a loan or guarantee under section 7(a) of the Small Business Act unless you are disabled or a Cuban or Haitian entrant. When you sign this document, you are making the certification that the Immigration Reform and Control Act of 1986 does not apply to you, or if it does apply, more than five years have elapsed since you have been granted lawful temporary resident status pursuant to such 1986 legislation.

**Lead-Based Poisoning Prevention Act (42 U.S.C. 4281 et seq.)**

Borrowers using SBA funds for the construction or rehabilitation of a residential structure are prohibited from using

lead-based paint (as defined in SBA regulations) on all interior surfaces, whether accessible or not, and exterior surfaces, such as stairs, decks, porches, railings, windows and doors, which are readily accessible to children less than 7 years of age. A "residential structure" is any home, apartment, hotel, motel, orphanage, boarding school, dormitory, day care center, extended care facility, college, or other school housing, hospital, group practice or community facility and all other residential or institutional structures where persons reside.

**Compliance with Child Support Obligations** (Section 612 Pub. L. 103-403)

Any individual who owns at least 50% of the voting interest of the applicant business certifies that he or she is not more than 60 days delinquent on any obligation to pay child support arising under: a) administrative order, b) court order, c) repayment agreement that requires payment of child support.

**APPLICANTS' CERTIFICATION**

By my signature certify that I have read and received a copy of the LowDoc Disclosure Statement which was attached to this application. My signature represents my **agreement to comply with** the approval of my loan request and to comply, whenever applicable, with the hazard insurance, lead-based paint, civil rights or other limitations in this notice.

Each Proprietor, each General Partner, each Limited Partner or Stockholder owning 20% or more, and each Guarantor must sign. Each person should sign only once.

Business Name\_\_\_\_\_

Date\_\_\_\_\_ Signature and Title\_\_\_\_\_

Date\_\_\_\_\_ Signature\_\_\_\_\_

Date\_\_\_\_\_ Signature\_\_\_\_\_

Date\_\_\_\_\_ Signature\_\_\_\_\_